MIAMI-DADE COUNTY, FLORIDA



HOUSING FINANCE AUTHORITY

25 WEST FLAGLER STREET SUITE 950 MIAMI, FLORIDA 33130-1720 (305) 372-7990 FAX (305) 371-9152

HOUSING FINANCE AUTHORITY REGULAR MEETING

DATE: Monday, March 24, 2003

2:00 P.M

PLACE: 25 West Flagler Street

Suite 950

Miami, Florida 33130

AGENDA

I. Roll Call

II. Approval of Minutes

Monday, February 24, 2003

III. Requests

- A) Single Family Underwriting Team Committee Recommendations
- B) External Audit Committee Recommendations
- **C)** Sale and Assumption for Gannon Properties (Miller Lakes Apartments)
- **D)** Bonita Pointe Apartments
- IV. Updates
 - A) 2002 Multifamily Proposal Tuscany Place (Oral Report)
 - B) 2002 Single Family Program
 - C) Foundation/Community Outreach
- V. Other Business

Board Member Resignation

Housing Finance Authority Regular Meeting

Maggie Gonzalez

Cordella Ingram

Rene Sanchez



DATE: February 24, 2003

PLACE: 25 West Flagler Street

Suite 950

Miami, Florida 33130-1720

TIME: 2:00 P.M.

ATTENDANCE: Hector Brito, Vice Chairman Anthony Brunson

Patrick Cure

Don Horn, Chairman Roymi Membiela

Rey Sanchez

STAFF: Patricia Braynon, Director

Mary Aguiar, Administrative Officer III Manuel Alonso-Poch, Co-Bond Counsel Sheere Benjamin, Administrative Officer II Giraldo Canales, Compliance Specialist Marianne Edmonds, Co-Financial Advisor

Larry Flood, Co-Financial Advisor

Jerry Heffernan, Assistant County Attorney David Hope, Assistant County Attorney Jose Pons, Administrative Assistant

Amelia Stringer-Gowdy, Special Projects Administrator

Adela Suarez-Garcia, Trust Account Manager Derrick Woodson, Administrative Officer III

APPEARANCES: Rafael Kapustian, Flagler First Development

Jerry Flick, Flick Homes

Barry Haiman, Affordable Housing Solutions Lynn Washington, on behalf of Ward Tower Norbert Simmons, First Commonwealth Securities

Joe Scafudi, Miami-Dade Housing Agency

AGENDA

The meeting was called to order with a quorum at 2:14 p.m.

I. Roll Call

Ms. Braynon called the roll. She indicated that V.T. Williams, Eli Tourgeman and Katrina Wright would not be attending. Mr. Horn welcomed and introduced new Board member, Patrick Cure, replacing outgoing member, Eunice Martin. Mr. Cure stated he has been a Miami-Dade County public school teacher for the last fifteen years. He is a community activist and a member of "500 Male Role Model Program", working with the youth.

Mr. Horn welcomed and introduced Maggie Gonzalez, Vice-President at Ocean Bank in their real estate department. Ms. Gonzalez is replacing outgoing member, Rey Diaz. Ms. Gonzalez stated that she has been with Ocean Bank for approximately seven years. Her responsibilities include negotiating and consummating real estate loans, construction loans for developers, real estate investors and loans on income generating properties.

Mr. Horn read a plaque that will be given to Eunice Martin for her long and distinguished service to the Board. Mr. Horn stated that the Board also has a Certificate of Appreciation for Rey Diaz.

II. Approval of Minutes

A MOTION was made by Mr. Iglesias to approve the minutes from the January 27, 2003 meeting. The motion was seconded by Ms. Ingram and passed unanimously.

III. Requests

A. Flagler First Development Fee Structure

Ms. Braynon read the agreed upon changes to the agreement. Flagler First Development agreed to pay the financial advisor fee of \$35,000 and the County Attorney's fee of \$10,000. They also agreed to pay half of the one percent for the \$3 million for the two years, which is the length of time HFA's collateral will be used by Wachovia. The fourth item would be a one percent fee on the \$3 million at the end from their profits. Discussion ensued as to whether the County Attorney's fees would be waived. The Board unanimously agreed to accept the agreement as read by Ms. Braynon.

B. Presentation by Jerry Flick for Lease Purchase Program

Mr. Flick introduced his partner, Barry Haiman, President of Affordable Housing Solutions for Florida, Inc., a not-for-profit. Mr. Flick presented his Lease Purchase Program stating that he and his partner would like to build 250 single-family houses using the Fannie Mae definition, for very low and moderate-income families. The families would be able to lease the homes for up to two years with a Section 8 housing choice voucher; then the family would become eligible for the deed to the home provided they have met all the terms and qualifications of the lease purchase agreement. Mr. Haiman stated that he is only asking HFA to be the issuer of the bonds. He stated that he does not wish for the HFA to provide any subsidies, grants or tax credits.

Ms. Edmonds voiced several concerns that she has encountered with the proposed Lease Purchase Program. Chairman Horn suggested that Ms. Edmonds and Mr. Flood continue to work with Mr. Flick and Mr. Haiman, and develop a well-reasoned, intelligent and appropriate recommendation for the board to review.

C. Amendment to Professional Services Agreement – External Auditors

Ms. Braynon requested that the board formally approve an amendment for professional services with accountants Ernst, Young Watson, Rice. The amendment approved audit work required under GASB 34. A motion was made by Mr. Sanchez and seconded by Vice-Chairman Brito and passed unanimously.

D. Sale & Assumption Agreement for Regency Manor and Paradise Pointe

Mr. Heffernan explained that the Regency Manor and Paradise Pointe were being sold and the new owners are assuming all the obligations of the existing owners. A motion was made by Mr. Sanchez and seconded by Vice-Chairman Brito and passed unanimously.

IV. Updates

A. Ward Tower

Joe Scafudi, HOPE VI Coordinator, was introduced to the board and made a presentation about the project and its' status. Chairman Horn asked if there was anything the board needed to act on at this time. Staff requested the presentation to clarify the development was now an elderly development and not an Assisted Living Facility, as originally proposed.

Housing Finance Authority Regular Meeting February 24, 2003 Page 4 of 4

B. 2002 Single Family Program

Ms. Braynon thanked Roymi Membiela for assisting the HFA and the Foundation in doing more effective marketing of our various programs, which is Ms. Membiela's expertise.

C. Foundation/Community Outreach

Ms. Braynon reported on Scott Carver/Hope VI revitalization status report that was given to the Miami-Dade County Commissioner's Economic Development Committee in January regarding the 150 homes the HFA has been assigned to build. Ms. Braynon explained that there were "title" issues on some properties that are taking six to nine months to clear up. Ms. Braynon stated that she also met with Commissioner Rolle and assorted agencies on this issue of getting clear title on properties and Commissioner Rolle has a resolution going before the entire Miami-Dade County Commission in March regarding the \$6 million that the HFA has for this project. The proposed resolution will allow the Authority and the Foundation to assist buyers with new, existing and rehabilitated purchases.

V. Authority Administration

A. Authority Financial Statements - UNAUDITED

There were no discussions by the board.

B. Non Pooled Investments

There were no discussions by the board.

C. Delinquent Multi-Family Accounts

Ms. Gonzalez had questions regarding Related Group and Superior Manor; Ms. Aguiar answered to the questions to her satisfaction.

D. Multi-Family Monthly Reports and Quarterly External Audit

VI. Other Business

Chairperson Horn asked if all board members had responded to Jose Pons request for the NALHFA conference in Orlando in April 2003. He encouraged everyone to schedule attending the conference and respond to Mr. Pons in a timely fashion.

The meeting adjourned at 3:40 p.m.

TO: Chairperson and Board Members

DATE:

March 17, 2003

FROM:

Patricia Braypon

Director

SUBJECT:

RFP For Single Family Underwriting Team

The review committee consisting of Cordella Ingram, Roymi Membiela, and Katrina Wright met on Tuesday, March 4, 2003 to analyze the responses to the RFP for the single family underwriting team. There were sixteen responses received:

Advest, Inc.

Apex Pryor Securities

Fahnestock

First Southwest Company

Florida Home Loan Specialist

Jackson Securities

Loop Capital Markets, L.L.C.

The Malachi Group, Inc.

Melvin Securities, LLC

Morgan Keegan

M.R. Beal & Company

Paine Webber

Raymond James & Associates

RBC Dain Rauscher

Siebert Brandford Shank & Co., L.L.C.

William R. Hough & Co.

Committee members reviewed summaries of the proposals that were prepared by the financial advisors. Copies of the summaries are attached as Exhibit A. Based upon this review, the proposals were ranked as shown on Exhibit B.

The committee recommends the following:

- 1. Hire the three highest ranked firms (William R. Hough; PaineWebber; Raymond James) and the highest ranked minority owned firm (M.R. Beal) to serve as managing underwriters.
- 2. Select the senior managing underwriter for each transaction based upon ideas presented to the Authority.

The committee also recommends that the Authority be advised of any staffing changes and retain the right to approve changes in the financing team.

Housing Finance Authority Response To Proposal For Single Family Underwriting Team Analysis

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	Role (Senior or Both)	Housing Experience	Plan of Finance for the Authority under its Master Indenture Program	Distribution Resources	New Financing Ideas and the Plan of Financing and Cashflow Analysis and its appropriateness for the Authority	Minority Representation	Miami-Dade County and Florida Presence and Structure of Capital Level of the Firm	Total
Criteria Weighting		20 Points	20 Points	15 Points	25 Points	10 Points	10 Points	
FIRM	Co-Manager	10	10	15	10	10	7	62
Advest	Co-Manager	10	10	13	10	10	/	02
Apex Pryor Securities	Co-Manager	5	5	10	10	10	7	47
Fahnestock	Co-Manager	5	0	10	0	3	5	23
First Southwest Company	Senior	20	15	10	15	5	10	75
Florida Home Loan Specialist	-	-		-	-	-	-	-
Jackson Securities	Both	10	5	10	5	10	7	47
Loop Capital Markets, LLC	Co-Manager	10	15	10	20	10	5	70
The Malachi Group, Inc.	Both	0	5	5	5	10	3	28
Melvin Securities, LLC	Co-Manager	5	0	5	0	10	5	25
Morgan Keegan	Senior	20	15	15	15	5	5	75
M.R. Beal & Company	Both	20	20	10	10	10	5	75
Paine Webber	Both	20	20	15	20	5	10	90
Raymond James & Associates	Senior	20	15	15	15	3	10	78
RBC Dain Rauscher	Both	20	10	15	17	3	10	75
Siebert Brandford Shank & Co.,LLC	Both	10	10	10	15	10	10	65
William R. Hough & Co.	Senior	20	20	15	25	5	10	95

LEGEND: 100 POINTS POSSIBLE (0=Lowest/25=Highest)

Name of Firm/Role Sought: Advest/ Co Manager

Housing Experience: 20 issues totaling \$1.5 billion.

Plan of Finance Under Master Indenture: Good generic discussion of structuring

issues. No specific recommendations for

Authority.

Distribution: Strong distribution. 21 institutional sales

professionals 90 retail offices . Part of THE

MONY GROUP.

New Ideas and Cash Flow Analysis: No significant new ideas. Presented lease

purchase program with Freddie Mac. State that they can do single family cash flow analysis with Munex, which is not

typically used for this purpose.

Minority Representation: Lead banker is African-American.

Miami-Dade Presence and Capital Structure: Retail office in Miami. No public finance

presence. Strong capital structure.

Name of Firm/Role Sought: Apex Prior Securities/ Co Manager

Housing Experience: The firm has not managed any housing

issues during the last three years. The lead banker, Tony Stovall has prior

experience with MDHFA.

Plan of Finance Under Master Indenture: Discussion does not demonstrate a

working knowledge of the Authority's programs. Outlined a new variable rate product for the Authority that should have

been discussed under new ideas.

Distribution: Good institutional and retail distribution.

Solid marketing plan.

New Ideas and Cash Flow Analysis:

No significant new ideas other than the

variable rate swap structure. Non-specific

discussion of cash flow capabilities.

Minority Representation: The firm is 100% African-American owned.

Miami-Dade Presence and Capital Structure: Public finance office in Miami. Adequate

capital and excess net capital position.

Name of Firm/Role Sought: Fahenstock/Co Manager **Housing Experience:** No description of housing experience. No housing references. Management roles for housing issues appear to be competitively purchased issues with no structuring responsibility. **Plan of Finance Under Master Indenture:** None provided. **Distribution:** 100 branch offices, eight in Florida. Institutional sales professionals in Boca Raton. **New Ideas and Cash Flow Analysis:** None provided. **Minority Representation:** African-American professional staff located in Detroit office. **Miami-Dade Presence and Capital Structure:** Retail offices. No public finance presence.

Strong capital position.

Name of Firm/Role Sought: First Southwest Company/Senior

Manager

Housing Experience: 31 single family issues totaling

approximately \$620 Million. Senior manager experience with MDHFA.

Plan of Finance Under Master Indenture: Plan of finance contains a good discussion

of programmatic issues and an

understanding of MDHFA public purpose concerns. Does not address bond structure

or negative arbitrage.

Distribution: Good distribution capability outside of

Florida.

New Ideas and Cash Flow Analysis:

No new ideas. The items discussed were

implemented in the deals they senior managed for MDHFA. FSW now has in-

house cash flow capability.

Minority Representation: 43 of 298 employees are minorities. None

of the professionals assigned to MDHFA are minorities. However, one is female.

Miami-Dade Presence and Capital Structure: Public finance offices in Miami and

Orlando. Adequate capital position.

Name of Firm/Role Sought: Jackson Securities/Senior or Co

Manager

Housing Experience: 35 issues totaling \$2.8 billion for single

family. None as senior manager. Additional multifamily experience.

Plan of Finance Under Master Indenture: Minimal description. Does not demonstrate

any understanding of the Authority's

program.

Distribution: Four institutional sales professionals.

Retail sales initiated with the hiring of two

sales professionals in May 2002.

New Ideas and Cash Flow Analysis: No discussion of ideas. Will use outside

vendor for cash flow analysis.

Minority Representation: Minority owned firm

Miami-Dade Presence and Capital Structure: One public finance professional in Miami.

Capital position is adequate for co

manager role.

Name of Firm/Role Sought: Loop Capital Markets, LLC/Co-manager

Housing Experience: 108 housing transactions totaling more

than \$3.5 billion. One senior managed

issue In the last 3 years.

Plan of Finance Under Master Indenture: Good general discussion of bond

structuring issues and methods of eliminating negative arbitrage.

Distribution: Comprehensive but "boilerplate" marketing

plan

New Ideas and Cash Flow Analysis:

No ideas that haven't been around for a

few years. Experienced with multifamily cash flows. No evidence of single family

experience.

Minority Representation: 100% African-American owned. Lead

banker is African- American.

Miami-Dade Presence and Capital Structure: Maintains a sales office in Sarasota, Fl.

Adequate capital position.

Name of Firm/Role Sought: The Malachi Group, Inc./Senior or Co

Manager

Housing Experience: None listed by firm. Lead banker has

housing experience.

Plan of Finance Under Master Indenture: Minimal description. Does not seem

familiar with Authority's existing program.

Distribution: Targets distribution to tier-2 and tier-3

investors in southeast. Utilizes internet

based platform, MuniDirect.

New Ideas and Cash Flow Analysis: No new ideas presented. States that they

will do cash flow analysis in house, will purchase necessary software if hired.

Minority Representation: Minority owned firm

Minimal capital. Negative excess capital as

of 12/31/2002.

Submitted subcontractor/supplier listing identifying J.P. Morgan and a consultant for underwriting/marketing/distribution strategies and deal structuring as required.

Name of Firm/Role Sought: Melvin Securities, L.L.C./Co-manager

Housing Experience: Firm has been a co-manager on one deal

in the last three years.

Plan of Finance Under Master Indenture: Did not offer a plan of finance due to lack

of experience.

Distribution: The firm is in the process of developing its

distribution capabilities.

New Ideas and Cash Flow Analysis: Did not offer any ideas and has no cash

flow capabilities.

Minority Representation: 3 out of 16 employees are minorities

Miami-Dade Presence and Capital Structure: The firm has no presence in Florida. The

firm has adequate capital.

Name of Firm/Role Sought: Morgan Keegan/Senior

Housing Experience: 187 issues totaling \$7.2 billion.

Plan of Finance Under Master Indenture: Description of bond structure. No

discussion of programmatic features.

Distribution: Good distribution. 59 offices with retail and

institutional sales professionals.

New Ideas and Cash Flow Analysis: Idea discussion includes ideas previously

considered by Authority. State that they

can provide cash flow analysis.

Minority Representation: African-American professional staff as part

of housing team.

Miami-Dade Presence and Capital Structure: No office. Strong capital.

Name of Firm/Role Sought: M.R. Beal & Company/Either role

Housing Experience: Senior managed a large number of

housing issues over the last three years.

Plan of Finance Under Master Indenture: Good general discussion of the Authority's

Indenture.

Distribution: Demonstrated ability to distribute Florida

paper.

New Ideas and Cash Flow Analysis: Good general discussion of ideas but

nothing new. Adequate ability to run cash

flows.

Minority Representation: The firm is 99% minority owned. The lead

bankers assigned to MDHFA are African

American.

Miami-Dade Presence and Capital Structure: The firm has no Florida offices but has

underwritten numerous State of Florida issues. The firm has adequate capital.

Name of Firm/Role Sought: Paine Webber/Senior or Co Manager

Housing Experience: Strong national housing experience. Over

\$9.2 billion underwritten since 2000.

Plan of Finance Under Master Indenture: Detailed analysis included significant

research. Proposal is very similar to what the Authority did for its 2002 program.

Distribution: Strong retail and institutional sales

network.

New Ideas and Cash Flow Analysis: History of creative problem solving for

clients. Able to provide cash flow analysis.

Minority Representation: African-American representation on

investment banking team.

Miami-Dade Presence and Capital Structure: Miami office with non housing public

finance professional. Strong capital base.

Name of Firm/Role Sought: Raymond James & Associates,

Inc./Senior

Housing Experience: 172 issues totaling approximately \$6 billion

over the last three years.

Plan of Finance Under Master Indenture: Plan of finance while not very focused or

specific does demonstrate knowledge of MDHFA goals and of the master indenture.

Distribution: 178 sales offices in the State of Florida.

Largest distribution system in the State.

New Ideas and Cash Flow Analysis: Some interesting new ideas, but nothing

earth-shattering. Adequate cash flow

analytical skills.

Minority Representation: Limited minority participation in the

financing team and at the firm.

Miami-Dade Presence and Capital Structure: 13 retail offices in Miami-Dade County.

Very adequate capital position.

Name of Firm/Role Sought: RBC Dain Rauscher/Senior or Co

Manager

Housing Experience: Strong housing experience. 251 single

family issues totaling \$6.5 billion since 2000. 25 issues as senior manager.

Plan of Finance Under Master Indenture: Does not indicate any knowledge of

Authority's existing program. Provides general outline for decision making.

Distribution: Strong. 22 institutional sales

professionals. Retail distribution in 35

states.

New Ideas and Cash Flow Analysis: Discussion includes ideas already

considered or in use by Authority. Able to

provide cash flow analysis.

Minority Representation: African-American representation on

investment banking team.

Miami-Dade Presence and Capital Structure: Ft. Lauderdale office with public finance

banker. Strong capital.

Name of Firm/Role Sought: Siebert Brandford Shank & Co.,

LLC/Either

Housing Experience: Various housing issuers. Primarily a co-

manager.

Plan of Finance Under Master Indenture: Boilerplate response. I would expect more

from a current member of our financing

team.

Distribution: Adequate distribution capabilities. Good

marketing plan.

New Ideas and Cash Flow Analysis:

No significant new ideas. Good discussion

of ways to reduce negative arbitrage. No

cash flow capability.

Minority Representation: The firm has 66% African American

ownership and 66% ownership by women.

Miami-Dade Presence and Capital Structure: 4 sales offices in Miami-Dade County

including a public finance office. The firm

has adequate capital resources.

Name of Firm/Role Sought: William R. Hough & Co./ Senior

Housing Experience Strong experience. Top ranked

underwriter of housing bonds in Florida and southeast. 176 issues since 2000.

Senior Management Experience

w/Authority.

Plan of Finance Under Master Indenture: Detailed discussion including several new

ideas for upcoming issues. Indicates familiarity with Authority's program, but

identifies new ways to address

programmatic issues.

Distribution: Institutional and retail sales professionals.

Strong position in the housing market has

lead to strong relationships with

institutional buyers.

New Ideas and Cash Flow Analysis: History of creative problem solving for

clients. New ideas presented. Strong cash

flow analysis. Prepared complex genealogy of single family issues.

Minority Representation: Senior investment banker is African-

American.

Miami-Dade Presence and Capital Structure: Miami office. Reasonable capital.

Housing Finance Authority of Miami-Dade County

Rank	Company	Total
1	William R. Hough & Co.	95
2	Paine Webber	90
3	Raymond James & Associates	78
4	RBC Dain Rauscher	75
4	First Southwest Company	75
4	Morgan Keegan	75
4	M.R. Beal & Company	75
5	Loop Captial Markets, LLC	70
6	Siebert, Brandford, Shank & Co	65
7	Advest	62
8	Apex Pryor Securities	47
9	The Malachi Group, Inc.	28
10	Melvin Securities	25
11	Fahnestock	23



TO:

Chairperson and Board Members

DATE:

March 17, 2003

FROM:

Patricia Braynon

Director

SUBJECT:

RFQ For Independent External Auditors

The review committee consisting of Rene Sanchez, V.T. Williams and Anthony Brunson met on Tuesday, March11, 2003 to analyze the responses to the RFQ for Independent External Auditors. There were seven responses received:

Ernst & Young Urbach, Kahn & Werlin Verdeja & Gravier S. Davis & Assoc. Harvey, Branker & Assoc. Hoch, Frey and Zugman Grant Thornton

Committee members reviewed summaries of the proposals that were prepared by HFA staff. The proposals were scored as shown on Exhibit A. Copies of the summaries are attached as Exhibit B.

The committee recommends the following:

- 1. Hire the highest ranked firm of Ernst & Young in joint venture with Watson Rice.
- 2. Require a rotation of auditing firms while excluding the previous audit firm from responding to the RFQ.

The committee also recommends that the primary firm allow the subcontracted firm to perform several of the single family bond audits on their own and issue the respective audit reports.

	RESPONDENTS						
	ERNST & YOUNG/ WATSON RICE	URBACH KAHN & WERLIN	VERDEJA & GRAVIER	S. DAVIS & ASSOC.	HARVEY, BRANKER & ASSOC.	HOCH, FREY AND ZUGMAN	GRANT THORNTON
Anthony Brunson	93	44	76	59	52	44	59
VT Williams	100	73	98	85	75	73	100
Rene Sanchez	92	69	93	71	65	63	87
Average	95	62	89	72	64	60	82

	RESPONDENT
SELECTION CRITERIA	ERNST & YOUNG/WATSON RICE
B- EXPERIENCE OF THE FIRM AND PERSONNEL ASSIGNED (Points) Evidence that the firm is a legal entity in the State of Florida with five years minimum of continuous C.P.A. services. Certification that the firm is a member in good standing of both the American and Florida Institutes of C.P.A. (Must have) (10 Points)	 County/city license valid until 9/30/03. State license valid until 12/31/03. Has provided continuous CPA services in Florida for over 70 years. Certified that both firms are member in good standing with both the American and Florida Institute of Certified Public Accountants.
Professional and/or academic qualification of key personnel involved with this engagement. Firm's professional development program including number of days of continuing education. Also, number of days of specialized training in governmental accounting and auditing as well as computer auditing during the last two years. (30 Points)	3. Coordinating Partner-15 yrs experience specializing in serving government; Engagement partner-over 30 yrs experience in public accounting, has served on HFA audit for past 10 yrs., headed four annual audits for all Section 8 housing pursuant to related trust indentures, experience with bond revenue financings; Audit Manager-over 8 yrs experience in government and not for profit sector including HFA of Broward County. 4. Firm requires 120 hrs of continuing professional education (CPE) every 3 yrs. Members of audit team meet the requirement of governmental accounting and auditing and computer auditing.
Firm's list of current or recent accounts audited by Miami-Dade County office and by staff assigned to the engagement of national and local governmental units and accounts similar in nature to the enterprise operations or any other information that would assist in a review of proposer's capabilities. Include three references. (30 Points)	5. Firm has been engaged by several Florida governmental clients including Cities of Coral Gables, Clearwater, Jupiter, Lake Worth, Tampa and Tarpon Springs. The Firm has also provided bond services to the Counties of Broward, Lake and Sarasota and to Cities of Boynton Beach, Edgewater, Jacksonville and Tampa. References: School Board of Broward County and Cities of Opa Locka and Quincy.
Firm's minority participation/joint venture experience, willingness to subcontract and the percentage of work to be subcontracted to local minority owned firms. (If the proposal is made for a consortium or joint venture, the previously mentioned information must be provided of all firms which will be engaged in the audit and the lead firm must be designated). (15 Points)	 6. Full-time partner engaged to oversee minority recruitment and retention by establishing the Ernst & Young Office of Minority Recruitement and Retention. 7. Minority firm will receive 35-40% of the total staff hours. 8. Not applicable.
C- TECHNICAL APPROACH (Points) Firm's approach and tentative schedule for performing the key phases of this audit engagement (5 Points)	Audit Methodology provides a single consistent audit approach which applies leading edge methodology and state-of-the-art audit tools, technology and knowledge. Flexibility allows audit team to devote attention to financial and operational risks. Tentative schedule:begin in July 2003 and conclude in December 2003.
Firm's procedures in monitoring the progress of the audit and communicating same to the Authority while the audit is in progress (5 Points)	Will hold weekly status meetings and establish and maintain open communication with the Board and Authority managements. Also, be present at all Board meetings to be well informed of all matters being addressed by the Board of Directors.
Firm's specific policies, plans, procedures or techniques used to develop information for management letters (5 Points)	The firm has developed a formalized approach for the development of management letter recommendations which is predicated on the assumption that there will be no surprises at the end of the engagement. To accomplish this, they will rely on a policy of open communication with management, the Board of Directors and the Authority.

	RESPONDENT
SELECTION CRITERIA	URBACH KAHN & WERLIN
B- EXPERIENCE OF THE FIRM AND PERSONNEL ASSIGNED (Points)	
Evidence that the firm is a legal entity in the State of Florida with five years minimum of continuous C.P.A. services. Certification that the firm is a member in good standing of both	Licensed in the State of Florida, has over 35 years of experience. Membership in the SEC Practices Section of the AICPA. Has not had any referrals to any state licensing boards over last 3 years. All Florida office professionals are members of the
the American and Florida Institutes of C.P.A. (Must have) (10 Points)	FICPA.
Professional and/or academic qualification of key personnel involved with this engagement. Firm's professional development program including number of days of continuing education. Also, number of days of specialized training in governmental accounting and auditing as well as computer auditing during the last two years. (30 Points)	Managing office partner-over 15 yrs of audit experience including state & local govt entities. Govt Services Partners-over 35 yrs of audit experience in auditing state & local govt entities. Audit Manager-8 yrs experience managing and supervising audits of govt entities. All professionals are required to receive the minimum hours of govt CPE each yr. Continuing professional education and training programs are provided to all staff to insure compliance with mandatory CPE requirements.
Firm's list of current or recent accounts audited by Miami-Dade County office and by staff assigned to the engagement of national and local governmental units and accounts similar in nature to the enterprise operations or any other information that would assist in a review of proposer's capabilities. Include three references. (30 Points)	Has significant experience in governmental audits including several federal agencies and offices, and housing development agencies. Have been awarded several contracts that formerly were audited by "Big Four" firms. References include US Dept of Justice, Harbor Hill Housing Development Corp., LRF Housing Associates and Defence Information System Agency.
Firm's minority participation/joint venture experience, willingness to subcontract and the percentage of work to be subcontracted to local minority owned firms. (If the proposal is made for a consortium or joint venture, the previously mentioned information must be provided of all firms which will be engaged in the audit and the lead firm must be designated). (15 Points)	No minority participation. (Currently contacting several Miami area minority owned firms to enter into subcontractor arrangements. If any firms are contracted during the audit, they will be utilized in the engagement if approved by the Authority.
C- TECHNICAL APPROACH (Points) Firm's approach and tentative schedule for performing the key phases of this audit engagement (5 Points)	Firm's audit process includes: planning, internal control, substantive testing, compliance and reporting. Audit would begin at time contract is signed and a schedule will be developed during the planning phase. Included process to review prior auditors workpapers.
Firm's procedures in monitoring the progress of the audit and communicating same to the Authority while the audit is in progress (5 Points)	Communication between senior engagement personnel and Authority will occur continually throughout all phases of the engagement. Weekly status meetings will be held between staff and Authority management.
Firm's specific policies, plans, procedures or techniques used to develop information for management letters (5 Points)	Four levels of review will be performed to ensure that there is a reasonable basis for the audit opinion and conclusions: senior auditor/supervisor, manager, partner/principal and the Director of Accounting and Auditing.

	RESPONDENT
SELECTION CRITERIA	VERDEJA & GRAVIER
B- EXPERIENCE OF THE FIRM AND PERSONNEL ASSIGNED (Points)	1. Licensed in the State of Florida, expires on 12/31/03. Over 20 yrs of continuous
Evidence that the firm is a legal entity in the State of Florida with five years minimum of	CPA services.
continuous C.P.A. services. Certification that the firm is a member in good standing of both the American and Florida Institutes of C.P.A. (Must have) (10 Points)	Member in good standing with the AICPA and FICPA.
Professional and/or academic qualification of key personnel involved with this engagement. Firm's professional development program including number of days of continuing education. Also, number of days of specialized training in governmental accounting and auditing as well as computer auditing during the last two years. (30 Points)	3. Partner in charge-over 21 yrs experience in public accounting. Responsible for over- seeing the entire engagement. Senior auditor-4 yrs of public accounting experience. Staff and partners are required to take the minimum governmental continuing education credits as well as CPE credits necessary to maintain their CPA status.
Firm's list of current or recent accounts audited by Miami-Dade County office and by staff assigned to the engagement of national and local governmental units and accounts similar in nature to the enterprise operations or any other information that would assist in a review of proposer's capabilities. Include three references. (30 Points)	Audits include Miami-Dade Public School Board-Charter Schools; Miami-Dade Empowerment Trust; Health Council of So. Florida; City of North Miami Beach; Coral Springs Chamber of Commerce. 3 References include: United Home Care Services, Museum of Science and Miami Children's Museum.
Firm's minority participation/joint venture experience, willingness to subcontract and the percentage of work to be subcontracted to local minority owned firms. (If the proposal is made for a consortium or joint venture, the previously mentioned information must be provided of all firms which will be engaged in the audit and the lead firm must be designated). (15 Points)	Firm is in a joint venture with Grant Thornton, who also responded to the RFQ. This is a hispanic-owned minority firm.
C- TECHNICAL APPROACH (Points)	
	The audit will be completed in four phases: planning, interim, year-end and final. Planning and interim phase shall commence when contract is awarded. Year end phase will begin in October 2003 and the final phase by November 15, 2003.
Firm's procedures in monitoring the progress of the audit and communicating same to the Authority while the audit is in progress (5 Points)	Development of a detailed calendar of critical dates and tasks. Periodic meetings with Management to discuss work status and findings. Periodic meetings with engagement staff to ensure the audit process is effective.
Firm's specific policies, plans, procedures or techniques used to develop information for management letters (5 Points)	Firm understands that management letter findings must be meaningful and realistic.

Name:

	RESPONDENT
SELECTION CRITERIA	S. DAVIS & ASSOCIATES
B- EXPERIENCE OF THE FIRM AND PERSONNEL ASSIGNED (Points) Evidence that the firm is a legal entity in the State of Florida with five years minimum of continuous C.P.A. services. Certification that the firm is a member in good standing of both the American and Florida Institutes of C.P.A. (Must have) (10 Points)	Firm has more than 5 years continuous CPA experience. Did not provide copy of license from the State, however, indicated that the firm is registered with the State. The firm is a member in good standing with the AICPA and FICPA.
Professional and/or academic qualification of key personnel involved with this engagement. Firm's professional development program including number of days of continuing education. Also, number of days of specialized training in governmental accounting and auditing as well as computer auditing during the last two years. (30 Points)	3. Engagement Coordinating Partner-over 19 yrs of public accounting and auditing experience. Engagement partner-over 16 yrs in governmental auditing. Engagement manager has over 7 yrs of public accounting experience. 4. Maintain continuing professional education credits required by Fla. Statutes. (did not specifically identify courses in computer auditing.)
Firm's list of current or recent accounts audited by Miami-Dade County office and by staff assigned to the engagement of national and local governmental units and accounts similar in nature to the enterprise operations or any other information that would assist in a review of proposer's capabilities. Include three references. (30 Points)	HFA of Broward County, HFA of Broward County Bond Programs, Broward County Housing Authority, City of Dania Beach, City of Hollywood, So. Fla. Mgmt District. 3 References include: HFA of Broward County, Broward Center for the Performing Arts, South Broward Hospital District.
Firm's minority participation/joint venture experience, willingness to subcontract and the percentage of work to be subcontracted to local minority owned firms. (If the proposal is made for a consortium or joint venture, the previously mentioned information must be provided of all firms which will be engaged in the audit and the lead firm must be designated). (15 Points)	Firm will subcontract with Morrison, Brown, Argiz and Company who will be awarded 20% of the work.
C-TECHNICAL APPROACH (Points)	
Firm's approach and tentative schedule for performing the key phases of this audit engagement (5 Points)	The audit approach wil include four segments: planning, internal control testing, verification and substantiation of account balances and financial reporting. The proposed timeline includes completion of fieldwork by December 14, with issuance of financial statements by December 31, 2003. Management letter will be issued within 30 days of issuing the financial statements.
Firm's procedures in monitoring the progress of the audit and communicating same to the Authority while the audit is in progress (5 Points)	Internal control weaknesses will be communicated to the Authority as discovered to avoid any surprises during the course of the audit.
Firm's specific policies, plans, procedures or techniques used to develop information for management letters (5 Points)	Firm will submit a draft management letter which identifies control and management weaknesses observed, assess their effect on financial management and propose steps to eliminate them so that a final letter can be issued within 30 days of the publication of the financial statements.

	RESPONDENT				
SELECTION CRITERIA	HARVEY, BRANKER & ASSOCIATES				
B- EXPERIENCE OF THE FIRM AND PERSONNEL ASSIGNED (Points) Evidence that the firm is a legal entity in the State of Florida with five years minimum of continuous C.P.A. services. Certification that the firm is a member in good standing of both the American and Florida Institutes of C.P.A. (Must have) (10 Points)	Licensed in the State of Florida, Broward County and Town of Pembroke Park. Member in good standing with the AICPA and FICPA. Firm has over 30 combined years of continuous auditing and accounting services.				
Professional and/or academic qualification of key personnel involved with this engagement. Firm's professional development program including number of days of continuing education. Also, number of days of specialized training in governmental accounting and auditing as well as computer auditing during the last two years. (30 Points)	Firm indicates that each member of the audit team has extensive knowledge and strong experience in their assigned areas. There will be an Engagement/Client Service Partner, Engagement Manager, Engagement Senior Accountant and staff. Firm is committed to providing high quality training to its professionals. Firm professionals maintain and exceed all AICPA and FICPA requirements.				
Firm's list of current or recent accounts audited by Miami-Dade County office and by staff assigned to the engagement of national and local governmental units and accounts similar in nature to the enterprise operations or any other information that would assist in a review of proposer's capabilities. Include three references. (30 Points)	Firm has audited such clients as The Village of El Portal, City of Miami, Broward County School Board, Miami-Dade County, City of Hallandale and DOT. 3 References include: City of Miami, Broward County School Board, Miami-Dade County.				
Firm's minority participation/joint venture experience, willingness to subcontract and the percentage of work to be subcontracted to local minority owned firms. (If the proposal is made for a consortium or joint venture, the previously mentioned information must be provided of all firms which will be engaged in the audit and the lead firm must be designated). (15 Points)	The Firm is certified as an MBE. Firm is willing to subcontract work to other MBE's. The Firm has participated in audit engagements with other Big Four firms.				
C-TECHNICAL APPROACH (Points) Firm's approach and tentative schedule for performing the key phases of this audit engagement (5 Points)	The firm's audit process are driven by key objectives and strategies which include: top-level analysis, division/dept. process overview, risk assessment, dept operational measurement, and recommended operational or performance improvement. Upon awarding the contract, the firm will prepare a tentative schedule for completing the audit. It is anticipated that the process would be completed in three months.				
Firm's procedures in monitoring the progress of the audit and communicating same to the Authority while the audit is in progress (5 Points)	No specific discussion provided.				
Firm's specific policies, plans, procedures or techniques used to develop information for management letters (5 Points)	No specific discussion provided.				

Name:				

	RESPONDENT
SELECTION CRITERIA	HOCH, FREY & ZUGMAN
B- EXPERIENCE OF THE FIRM AND PERSONNEL ASSIGNED (Points) Evidence that the firm is a legal entity in the State of Florida with five years minimum of continuous C.P.A. services. Certification that the firm is a member in good standing of both the American and Florida Institutes of C.P.A. (Must have) (10 Points)	The firm did not provide evidence that it is licensed by the State of Florida. The firm has over 50 years of continuous CPA services. The firm is a member in good standing with the AICPA and FICPA. Included copies of Broward County and City of Ft Lauderdale Occupational Licenses.
Professional and/or academic qualification of key personnel involved with this engagement. Firm's professional development program including number of days of continuing education. Also, number of days of specialized training in governmental accounting and auditing as well as computer auditing during the last two years. (30 Points)	All staff assigned to the engagement have experience in governmental auditing and accounting specifically with the Palm Beach County HFA. The firm asserts that all staff assigned to the engagement will have met or exceeded the continuing education requirements.
Firm's list of current or recent accounts audited by Miami-Dade County office and by staff assigned to the engagement of national and local governmental units and accounts similar in nature to the enterprise operations or any other information that would assist in a review of proposer's capabilities. Include three references. (30 Points)	Engagements include: HFA of Palm Beach County, City of Coral Springs, Coral Springs Improvement District, Polk County BCC, Florida Southern College, Town of Lantana, City of Lake Worth, Various special districts and not for profits. 3 References include: HFA of Palm Beach County, Family Central Inc. and Florence Fuller Child Development Centers Inc.
Firm's minority participation/joint venture experience, willingness to subcontract and the percentage of work to be subcontracted to local minority owned firms. (If the proposal is made for a consortium or joint venture, the previously mentioned information must be provided of all firms which will be engaged in the audit and the lead firm must be designated). (15 Points)	The firm will participate with the minority firm of WB Koon and Company. (no percentage given)
C- TECHNICAL APPROACH (Points)	
Firm's approach and tentative schedule for performing the key phases of this audit engagement (5 Points)	preliminary report will be discussed with the Authority to ensure that all information has been considered and that there is complete understanding and communication between audit staff and Authority staff concerning audit findings and recommendations.
	An audit timetable will be established during the planning phase of the audit.
Firm's procedures in monitoring the progress of the audit and communicating same to the Authority while the audit is in progress (5 Points)	Regular meetings with audit staff will be held to review the progress of the audit and discuss questions concerning the Authority's operations.
Firm's specific policies, plans, procedures or techniques used to develop information for management letters (5 Points)	Any items noted during the course of the audit that could have a material affect on the financial statements will be used in the preparation of a management letter.

Name:		

	RESPONDENT					
SELECTION CRITERIA	GRANT THORNTON					
B- EXPERIENCE OF THE FIRM AND PERSONNEL ASSIGNED (Points) Evidence that the firm is a legal entity in the State of Florida with five years minimum of continuous C.P.A. services. Certification that the firm is a member in good standing of both the American and Florida Institutes of C.P.A. (Must have) (10 Points)	1 The firm is licensed in the State of Florida. Has provided continuous CPA services for over 33 years. 2. The firm is a member in good standing with the AICPA. Individual staff professionals are members of the FICPA and AICPA					
Professional and/or academic qualification of key personnel involved with this engagement.	Audit Partner has ultimate responsibility for engagement, has over 12 yrs experience; Concurring Partner provides support to the audit team and the HFA, has over 20 yrs experience; Govt Services Director provides assurances of technical quality of all deliverables, has over 15 yrs experience; Govt Services Senior Manager is responsible for day-to-day audit performance and administration, has over 10 yrs experience; and Senior Associate is responsible for developing and updating objective and audit procedures, has 3 yrs experience.					
Firm's professional development program including number of days of continuing education. Also, number of days of specialized training in governmental accounting and auditing as well as computer auditing during the last two years. (30 Points)	Firm policy requires that professionals receive a min. of 120 hours every three calendar years, however, the firm encourages professionals to receive 40 hours per year. Computer auditing courses have been provided for 30 hours per year. Firm policy also requires 24 hours of governmental auditing courses every two years.					
Firm's list of current or recent accounts audited by Miami-Dade County office and by staff assigned to the engagement of national and local governmental units and accounts similar in nature to the enterprise operations or any other information that would assist in a review of proposer's capabilities. Include three references. (30 Points)	Firm has provided auditing services to the following clients: Cities of Coconut Creek, Dania, Deerfield Beach, Hallandale, Hialeah Gardens, Broward County Housing Authority, Hendry County, Glades County and Port Everglades Authority. 3 References include: City of Miami General Employees' & Sanitation Employees' Retirement Trust, City of Deerfield					
Firm's minority participation/joint venture experience, willingness to subcontract and the percentage of work to be subcontracted to local minority owned firms. (If the proposal is made for a consortium or joint venture, the previously mentioned information must be provided of all firms which will be engaged in the audit and the lead firm must be designated). (15 Points)	Beach, City of Weston. The firm has teamed up with the firm of Verdeja & Gravier, CPAs. This firm will receive 20% of the audit work.					
C-TECHNICAL APPROACH (Points)						
Firm's approach and tentative schedule for performing the key phases of this audit engagement (5 Points)	Firms approach to auditing is to use state-of-the-art EDP audit techniques to improve efficiency and analytical quality; this encompasses both the use of a technology risk management consultant to review the EDP system and its controls as well as software used by audit staff. Timeline to complete the audit is as follows: Audit planning to be done in June, Audit Interim Work in the months of July thru August, Audit year-end between October and November and Draft and Deliver financial statements in November.					
Firm's procedures in monitoring the progress of the audit and communicating same to the Authority while the audit is in progress (5 Points)	Weekly meetings during fieldwork to keep management apprised of the progress and to share testing results; exit conference to summarize audit results including review of financial statements and management letter; and meet with Board of Directors as appropriate.					
Firm's specific policies, plans, procedures or techniques used to develop information for management letters (see Points)	The firm looks for opportunities to strengthen internal controls and operating efficiencies, they do not include minor or meaningless comments, will review all potential comments with the Authority before putting them in draft form and wil review the wording of the letter with the Authority to ensure that appropriate context of the comments is understood.					



TO: PATRICIA BRAYNON. EXECUTIVE DIRECTOR. HOUSING FINANCE AUTHORITY OF

MIAMI-DADE COUNTY, FL

FROM: MARIANNE F. EDMONDS AND LARRY FLOOD

RE: BONITA POINTE APARTMENTS

DATE: MARCH 20, 2003

BACKGROUND

Private activity bond allocation of \$80,157,584 for 2003 is available for Miami-Dade County, FL. We have had multifamily applications submitted for \$76,582,984; not all of these projects have proceeded to credit underwriting. We do not expect to need any significant amount of allocation for single family issues.

BONITA POINTE APARTMENTS

The credit underwriting report for Bonita Pointe was submitted on Tuesday, March 18, 2003.

The basic information for this project is shown below.

Development Name	Developer	Total Bond Request	Tax Exempt Request	Total Project Cost	Bond Loan Per Unit	Cost Per Unit	# of Units	Bed- rooms	Baths	Median Income %	Rent Low/Market
Bonita Pointe	Cornerstone Group	\$8,010,000	\$8,010,000	\$15,786,588	\$48,841	\$96,260	36 68 <u>60</u> 164	1 2 3	1 2 2	60% 60% 60%	\$505 \$602 \$691

CONDITIONS STATED IN CREDIT UNDERWRITING REPORT

The Credit Enhancer, the Guarantee Program of the State of Florida, has not issued a commitment for this project. However, the credit underwriting report is the basis of the credit underwriter's recommendation for the approval of a credit enhancement commitment.

All conditions as stated in Section B of the Credit Underwriting Report, including the following:

<u>Loan Amount:</u> The maximum loan amount is \$8,010,000. Depending on market conditions at the time of sale, the loan amount may need to be reduced. Shortfalls created by the loan reduction would need to be funded by the deferral of additional Developer Fees, the deferral of General Contractor Fees and/or developer equity.

<u>Payment and Performance Bond:</u> 100% payment and performance bond to secure the construction contract.

Financing: Written description from bond underwriter outlining terms of proposed bond sale.

Guarantees:

<u>Construction Completion Guarantee</u> from Bonita Pointe Associates, Ltd. and Cornerstone Bonita Pointe LLC, the principals Stuart I. Meyers, Mara Mades, Leon Wolfe and Jorge Lopez, JL Holding Corporation, SIM Family Partnership, M3, Inc., MSM, Inc, The Cornerstone Group Development LLC and Cornerstone Group Development Corporation, as well as Alliance Construction, L.L.C.

PATRICIA BRAYNON
Executive Director
Housing Finance Authority of Miami-Dade County, FL

Page 2 March 20, 2003

Operating Deficit Guarantee from Bonita Pointe Associates, Ltd. and Cornerstone Bonita Pointe LLC, the principals Stuart I. Meyers, Mara Mades, Leon Wolfe and Jorge Lopez, JL Holding Corporation, SIM Family Partnership, M3, Inc., MSM, Inc, The Cornerstone Group Development LLC and Cornerstone Group Development Corporation, to be released upon achievement of 90% occupancy, 90% of the potential rental income and 1.15 debt service coverage of the first mortgage for six consecutive months, all as certified by a Certified Public Accountant.

<u>Environmental Indemnity</u> from Bonita Pointe Associates, Ltd. and Cornerstone Bonita Pointe LLC, the principals Stuart I. Meyers, Mara Mades, Leon Wolfe and Jorge Lopez, JL Holding Corporation, SIM Family Partnership, M3, Inc., MSM, Inc., The Cornerstone Group Development LLC and Cornerstone Group Development Corporation.

<u>Guaranty of Recourse Obligations</u> from Bonita Pointe Associates, Ltd. and Cornerstone Bonita Pointe LLC, the principals Stuart I. Meyers, Mara Mades, Leon Wolfe and Jorge Lopez, JL Holding Corporation, SIM Family Partnership, M3, Inc., MSM, Inc, The Cornerstone Group Development LLC and Cornerstone Group Development Corporation.

Liquidity Requirements: Confirmation of financial liquidity as required by the credit underwriting report.

RECOMMENDATION

Proceed with the financing of this development, subject to the conditions of the Credit Underwriting Report, the findings of ADRAC and the Authority's Guidelines.

Miami-Dade Housing Finance Authority

In cooperation with

Florida Housing Finance Corporation

Credit Underwriting Report

Bonita Pointe Apartments

Section A Board Summary

Prepared by

First Housing Development Corporation of Florida

Draft Report

March 18, 2003

Executive Summary

This is a First Housing Development Corporation ("First Housing" or "FHDC") Multifamily Mortgage Revenue Bond ("MMRB") Credit Underwriting Report for the Bonita Pointe Apartments, a proposed, affordable rental apartment complex to be located on the southeast corner of SW 344th Street (Royal Palm Drive) and SW 172nd Avenue, Florida City, Miami-Dade County, Florida. This development will consist of a 164-unit facility with seven (7) three-story walk-up "garden" style apartment buildings, a single story clubhouse/leasing, maintenance building and front gatehouse. The subject property is proposed to contain a total of 293 asphalt-paved parking spaces, with 8 handicapped parking spaces, which meet the requirements set by the Florida Accessibilities Code of Building Construction. This is equal to a total of 1.79 spaces per residential unit and in conformance with current zoning criteria.

Applicant has applied for a 2002 MMRB Loan to be funded by bonds issued by the Miami-Dade Housing Finance Authority ("MDHFA" or "Authority"), the funds to be loaned to Florida Housing Finance Corporation ("Florida Housing" or "FHFC") for further loan to Applicant, for the construction and permanent financing of the subject development.

Based upon demographic and market analysis, including existing and proposed developments, the market study consultant projected a construction/stabilization period for the property of 18 months. This is based on the market study consultant's estimate of absorption of approximately 14 units per month, beginning in the month the first Certificate of Occupancy ("C/O") is received (estimated in Month 8). The construction phase will last approximately 12 months. Stabilization is anticipated to occur approximately six months following construction completion. For purposes of this Credit Underwriting, First Housing utilizes an 18-month construction/stabilization period in its Capitalized Interest analysis (see Exhibit 3).

Ownership Structure:

The applicant, Bonita Pointe Associates, Ltd., is a Florida limited partnership formed in July 15, 2002 to construct and to operate Bonita Pointe Apartments. The General Partner with a .01% interest is Cornerstone Bonita Pointe, LLC. The Limited Partners with a 99.99% interest are JL Holding Corporation (49.995%), Steward I. Meyers ("SIM") Family Partnership (29.997%), M3, Inc. (9.999%), and MSM, Inc. (9.999%); which are to be replaced at closing by the syndicator, Lend Lease Real Estate Investments ("Lend Lease"), or an affiliate. Upon closing, the partnership agreement will be amended to reflect a 99.99% interest to Lend Lease, or an affiliate, as Limited Partner, and a .01% interest to the general partner, Cornerstone Bonita Pointe, LLC.

The Developer is Cornerstone Group Development, L.L.C. ("Cornerstone Group"), Coral Gables, FL. Alliance Construction, L.L.C., will be the General Contractor, and Cornerstone Residential Management, L.L.C., will be the Management Agent. All three entities, along with the General Partner (Cornerstone Bonita Pointe, LLC) are owned 50% by Mr. Lopez, 30% by SIM Family Partnership, 10% by Mr. Wolfe and 10% by Ms. Mades. Cornerstone Residential Management, LLC has managed all of the developer's developments to date. Alliance Construction, Inc. has demonstrated extensive experience in the construction of similar developments. The Cornerstone Group Development, LLC. is a for-profit developer founded in 1993. It has significant experience in the development of multi-family housing having constructed over 5,365 units of newly built or rehabilitated developments. The Cornerstone

Group has completed ten Florida Housing Tax Credit developments, nine Florida Housing bond transactions (\$134,622,000), and nine local issuer/county bond transactions (\$119,520,000). In addition, Cornerstone has completed nine developments utilizing SAIL funds and nine developments using HOME funds.

MMRB Loan:

Applicant has requested a Mortgage Loan of 8,080,000 from FHFC for the construction and permanent financing of the subject development. The amount requested is based upon a bond issue of \$8,080,000 from MDHFA for the construction and permanent financing of the subject development. The Underwriter has reduced the loan by \$70,000 to \$8,010,000 to meet maximum permitted loan to value requirements by the Florida Housing Guarantee Program.

Inasmuch as the interest rate of the MMRB Loan cannot be accurately determined until the bond purchase closes, FHDC has underwritten the subject development by determining its anticipated Net Operating Income ("NOI"). Based upon a projected NOI of \$628,014, FHDC has calculated the supportable loan amount for various amortization periods and "all-in" interest rates. This information is presented in the format of a table attached to this Credit Underwriting Report as Exhibit 2. The proposed development can support a MMRB Loan in the amount of \$8,010,000 at a combined "all-in" interest rate not to exceed 6.256%.

Terms and conditions of the MMRB Loan include a 41.5-year term (a construction/stabilization phase of up to 18 months followed by a 40-year permanent/amortization period), a fixed interest rate and a combined Debt Service Coverage ("DSC") ratio of not less than 1.15 to 1.00 including scheduled MMRB Loan principal and interest payments, U.S. Department of Housing and Urban Development ("HUD"), MDHFA, and Bond Trustee fees, plus FHFC-required Permanent Servicing, Compliance Monitoring and Financial Monitoring fees. The Base Rate for the tax-exempt bonds is currently estimated to be 5.200%. Guaranteed Investment Contract ("GIC") earnings on un-disbursed MMRB funds will accrue at an estimated rate of 1.250%. It is important to note, however, that interest rates will not be fixed until the bonds are priced, at or near the MMRB Loan closing date.

The MMRB Loan will be secured by a First Mortgage on Bonita Pointe Apartments and a First Security Interest in all Personalty of the subject development. Based upon Applicant's prepayment of \$32,800 (one-half the required Replacement Reserves for Years 1 and 2), Replacement Reserves of \$100 per unit per year will be paid from Operations for Years 1 and 2, followed by \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to Florida Housing's Guarantee Program ("Guarantee Program") that evidences an increase in the deposit is excessive or unnecessary. Monthly deposits to an Escrow for Property Taxes and Insurance are also required.

Based upon an anticipated NOI of \$628,014, the subject development can support the recommended MMRB Loan of \$8,010,000 at a 1.15 DSC so long as annual Debt Service does not exceed \$546,099. If the "all in" interest rate on the bonds is greater than 6.256%, the MMRB Loan will have to be reduced so that annual Debt Service does not exceed \$546,099. If the MMRB Loan is reduced, Applicant will have to fund any shortfall with an increase to Deferred Developer Fees, Deferred General Contractor Fees and/or an injection of Developer Cash (Equity).

The current "all-in" tax-exempt interest rate of 6.498% is 0.243% higher than the 6.256% maximum interest rate at which the subject development can support the recommended MMRB Loan of \$8,010,000. If interest rates at the time of MMRB Loan closing mirror current rates, the MMRB Loan would have to be reduced by \$240,000 (to \$7,770,000) in order to achieve a DSC of 1.15 at an NOI of \$628,014. Note that based upon a current estimated interest rate of 6.498%, the debt service coverage is equal to 1.116:1, which is within acceptable MDHFA parameters.

Proposed Credit Enhancement Structure:

The Applicant has applied for a commitment for credit enhancement from the Florida Affordable Housing Guarantee Program, and HUD Risk-Sharing Program, with an insurance wrap from FSA. The credit enhancement, which will allow the bonds to achieve a "AAA" rating, will be in effect during both the construction and permanent periods. The MMRB Loan is anticipated to have a 41.5-year term (40-year permanent/amortization period following an 18-month construction/stabilization period). Credit Enhancement Fees include an FHFC Guarantee Program fee of 0.500%, and a HUD Risk Sharing fee of 0.250%. Other fees include MDHFA Issuer fee of .39%, a Bond Trustee fee of 0.05%, and FHFC-required servicing fees (e.g., Permanent Servicing 0.045%, Compliance Monitoring 0.048% and Financial Monitoring 0.015%). The cost of an insurance wrap is included as an upfront premium equal to 40 basis points of total principal and interest on the bonds; and is cash funded at closing. This Credit Enhancement structure is expected to impart an "AAA" bond rating.

The Guarantee Program in combination with HUD Risk Sharing requires a Debt Service Reserve or surety bond equal to 6 months of the annualized debt service (\$273,050) on the loan amount of the bonds. The Applicant has elected to provide an FSA surety bond in lieu of cash funding this reserve. The cost for this bond has been accounted for by the Applicant in the budget. The acceptance of this bond is conditioned upon the bond being in a form acceptable to Florida Housing and First Housing and providing that the bond will be outstanding so long as the bonds are outstanding.

The enhancer requires a loan to value ratio of 90%, based on the stabilized value, with restricted rents and favorable financing. The value of the subject, with restricted rents and favorable financing, is estimated by Hume Real Estate Consultants, Inc., in a complete appraisal report dated January 15, 2003, to be in the amount of \$8,900,000, which results in a maximum loan amount of \$8,010,000.

The credit enhancer requires a 1.15 minimum Debt Service Coverage ("DSC") Ratio. If the "all-in" interest rate on the bonds is greater than 6.256% the loan amount will need to be reduced so that the total debt service does not exceed \$546,099 in order to maintain the 1.15 debt service coverage required by the enhancer.

Housing Credits ("HC") Equity Investment:

In addition to the proposed bonds, the Applicant has indicated that they intend to apply for Housing Credits. Since the subject expects to receive tax-exempt bonds greater than 50% of cost, it would be applying for 4% federal credits. An analysis of the credits available to the property was performed. The underwriter has estimated an annual housing credit of \$618,979; which is slightly higher than the syndication agreement amount of \$591,523. The housing credit calculation is contained in Exhibit 4 of this report.

A proposal dated February 21, 2003 was received and reviewed. Lend Lease will purchase a 99.99% interest in the development partnership. The syndication commitment reflects a partnership interest of 99.99%, and a syndication rate of \$.82. Capital Contributions total approximately \$4,850,000, of which \$2,425,000 or 50.0% of the syndication equity will be available at closing, and another 35.0%, or \$1,698,000 during construction. At completion, 5.9%, or \$285,000 is due, another 4.1% or \$200,000 is available at final cost certification, and an additional 5% or \$242,000 will be available at the latest of permanent loan conversion, 1.12x debt service coverage, or upon Receipt of Forms 8609.

Other Sources of Funds:

Additional Sources of Funds for this development is a SURTAX loan, Deferred Developer and General Contractor Fees.

The Applicant has received a commitment dated February 26, 2003 from the Miami-Dade Housing Agency ("MDHA") for a SURTAX 2003 allocation in the amount of \$1,000,000. This loan shall bear an interest rate of 0% for as long as the development remains in compliance; then 3% thereafter, for a 30-year term; including a 24-month construction period with no principal and interest payments due until Month 25, at which time, principal and interest payments at 0% will be due monthly.

During the construction period, the developer must defer all available developer fees and a portion of related party general contractor fees totaling \$2,224,175 and \$428,945 (total profit portion of GC fee is \$493,263), respectively, to balance the Sources & Uses of Funds after receipt of all available MMRB Loan proceeds and HC Equity contributions have been received.

Applicant will have to defer \$1,926,119 (87%) of Developer Fees during the permanent period.

Applicant states it will provide a Letter of Credit to cover a Hard Cost Contingency equal to 3% of the construction contract (or \$283,860). Evidence of a letter of credit equal to this amount in form and substance acceptable to FHFC and from a financial entity approved by FHFC is a condition of this report.

Additional Information:

- 1. <u>Permitting Status</u>: This site plan was approved November 26, 2002, per Henry Iler, City Planner.
- Soil Test Report: The amount of borings conducted on this site does not satisfy the Guarantee Fund requirement of at least one boring at each building site. Therefore, this report is subject to receipt and satisfactory review of an updated soil test report that is reflective of an appropriate amount of borings.
- 3. Potential Loan Reduction: As noted, the current estimated "all in" rate is greater than the maximum "all in" interest rate at which the requested loan amount can provide the required 1.15 to 1.00 DSC ratio. At the current "all in" interest rate the recommended net loan amount would be reduced to \$7,770,000 or a net reduction of \$240,000. Any reduction of bond loan proceeds must be offset by the deferral of additional developer fees and/or general contractor fees (limited to profit only), or funded with additional proceeds provided by the developer.

This recommendation is contingent upon the FHFC or the trustee holding or controlling funds at all times throughout the construction period sufficient to complete construction of the development.

- 4. <u>FHFC Guarantees and Liquidity</u>: First Housing recommends that FHFC obtain Construction Completion and Operating Deficit Guarantees (collectively the "Guarantees") from Bonita Pointe Associates, Ltd., Cornerstone Bonita Pointe, L.L.C., Cornerstone Group Development, L.L.C., Cornerstone Group Development Corporation, Alliance Construction, L.L.C. (as to Construction Completion Guarantees); JL Holding Corporation, SIM Family Partnership, M3, Inc., MSM, Inc., along with Stuart I. Meyers, Jorge Lopez, Leon J. Wolfe and Mara S. Mades, personally (collectively the "Guarantors").
 - Based upon its review of the Personal Financial Statements and the Schedule of Contingent Liabilities, First Housing concludes that the above referenced Guarantors, have sufficient Net Worth for the purpose of collateralizing the FHFC Guarantees by executing a Liquidity Maintenance Agreement. First Housing's recommendation is contingent upon: (i) confirmation two weeks prior to FHFC Mortgage Loan closing of at least \$4.5 million in combined liquidity for the Guarantors; however, Mr. Meyers, Mr. Lopez, Mr. Wolfe and Ms. Mades, individually, shall maintain no less than \$3 million of the minimum \$4.5 million liquidity requirement at all times and (ii) the Guarantors enter into a Liquidity Maintenance Agreement with FHFC. Terms of the Liquidity Maintenance Agreement must include, but are not limited to requirements for the Guarantors to: (i) continuously maintain liquid balances of not less than \$4.5 million until the FHFC Guarantees have been released, (ii) certify that the minimum \$4.5 million liquid balances have been continuously maintained and (iii) provide evidence of such liquid balances to the Loan Servicer on a quarterly basis. The Liquidity Maintenance Agreement must also contain a clause such that if not cured within a timely manner, failure to maintain the required balances is an event of MMRB Loan default.
- 4. Net Operating Income Assumptions: Based upon review of the Comparable Expense Analysis (Exhibit A); the Appraiser's overall expense estimate of \$3,799 per unit appears reasonable. On a line-by-line basis however, it was found that the appraiser's estimate of administrative and marketing were lower than indicated for the comparables. Conversely, the appraiser's insurance expense was higher than the average and the Applicant's estimate. Therefore, these line items were adjusted to reflect an approximate average between the results of the comparable analysis, and the appraiser's estimate. In conclusion, based on operating data from comparable properties, third party reports (primarily a subject self-contained appraisal and market study), and the credit underwriter's independent due diligence; FHDC represents that, in our professional opinion, estimates for rental income, vacancy and loss allowances, other income, and operating expenses fall within a band of reasonableness. For purposes of this analysis, the income utilized is equal to the Appraiser's estimate and expenses (net of reserves for replacement) are slightly higher than the Appraiser's estimate.
- 5. <u>Credit Enhancement Approval</u>: This loan recommendation is contingent upon Florida Housing Guarantee Program review and approval of credit enhancement.
- 6. <u>Market Analysis:</u> Reinhold P. Wolff Economic Research, Inc., has performed a separate market study dated February 2003, on the proposed development. The study found the site well suited for multi-family development. Rental apartment market conditions in Miami-Dade County and in the more immediate South County area in which the subject site is located are considered good. The current

overall vacancy rate in "market rate" apartment developments in Miami-Dade County is 4.3%, while in South Dade the vacancy rate is only 2.4%. Lower income affordable apartment developments in the South Dade area on the other hand report a lower vacancy rate of only 2.1%, and lower-income affordable developments throughout Miami-Dade County also report a lower vacancy rate of only .7%, as compared to the "market rate" product.

The market consultant indicates that there are eleven comparable affordable properties located within the immediate surrounding subject area. Those properties are summarized as follows:

Project	Age	Total Units	Occupancy*	Type
Village of Naranja	1995	258	100%	HC
Phoenix Apartments	1996	164	94%	HC
Colony Lakes	1995	220	98%	HC
South Pointe Crossing	1995	123	97%	SAIL/HC
Jubilee Court Apts.	1999	98	89%	HC
Sunset Bay	2002	308	93%	SAIL/GF/HC
Hidden Grove	2002	222	94%	SAIL/HC
Monterey Pointe	2002	340	98%	SAIL/GF/HC
Hardin Hammocks Estates	1997	200	100%	HC
Riverw alk Ph. I	1993	123	92%	SAIL/HC
Riverw alk Ph. II	1993	112	95%	SAIL/HC
Totals/Average		2,168	96.1%	

^{*} Occupancies adjusted to reflect FHFC Monthly Occupancy Report, as of January 2003, where appropriate.

As noted, after implementing occupancy levels from the FHFC Occupancy Report, vacancy levels for affordable rentals within the subject area are approximately 3.9% versus 2.1% (as indicated by the market consultant). This difference is primarily attributed to timing, as the FHFC survey most likely reflects overall average occupancies for the month, whereas, the market consultant's occupancy ratio is occupancy, as of the day of the survey. The appraiser's estimate of 5% vacancy and collection loss is supported by the previous studies.

Despite economic recession, the overall average monthly rent for apartments in Miami-Dade County increased by 2.3% over the past one-year period, and in the South Dade Market area, rent increases ranged from 2.5% for the three bedroom units to 3% for one-bedroom units. This market study also indicates that Miami-Dade and the South Dade Market Area have experienced a strong pace of population and household growth in recent years, a trend that is forecasted to continue in the future.

Issues and Concerns:

None

Recommendation:

First Housing confirms that the proposed Bonita Pointe Apartments meet the guidelines set forth by Florida Housing, Florida Housing Guarantee Program and MDHFA for an allocation of Private Activity Volume Capital.

- 1. First Housing recommends a MMRB Loan of \$8,010,000 in tax-exempt bonds for the construction and permanent financing of the subject development.
- 2. First Housing recommends an annual HC allocation up to \$618,979 be awarded to Bonita Pointe based upon the Eligible/Qualified Basis Calculation.

This recommendation is based upon the assumptions detailed in this Credit Underwriting Report and subject to conditions outlined in the Loan Commitment Conditions in Section B.

The reader is cautioned to refer to these sections for complete information.

Prepared by:	Reviewed by:	
	Edward Busansky	
Vice President/Senior Underwriter	Senior Vice President	

Bonita Pointe Apartments

Multifamily Mortgage Revenue Bond Recommendation:

Net Loan Amount	\$8,010,000
Estimated Debt Service Reserve*	\$273,050
Total Bond Amount	\$8,010,000

Tax-Exempt Bonds \$8,010,000 Taxable Bonds \$0

HC Allocation Recommendation: \$618,979

Development TypeSet AsideSet Aside TermNew Construction40% of units at 60% AMI (MMRB)40 years (MMRB)

100% of units at 60% AMI (HC)

A minimum of 30 years, with an option to convert to Market Rents after year 14.

(HC)

Zoning

Mortgagor Principals Developer

Bonita Pointe Associates, Ltd. Jorge Lopez, Stuart I. Meyers Cornerstone Group

Leon J. Wolfe & Mara S. Mades Development, L.L.C.

Credit Enhancer Syndicator HC Price
FHFC Guarantee Fund in concert Lend Lease with HUD Risk Sharing \$0.8200

(per dollar of HC)

Density

11.928 Gross Areas

13.75 Units per Acre

General Commercial Mixed-Use
(15 units/acre) by City of Florida City

Net Operating Income Appraised Value Total Development Cost \$628,014 \$8,900,000 Restricted Rents \$15,786,588

Favorable Financing
\$9,500,000 Market Rents
Market Financing

Site Area

^{*}The Debt Service Reserve will be secured by a Surety Bond rather than cash funded.

Rent Roll

MSA (County): Miami PMSA (Dade)

Bed-	Baths	No. of Units	Unit Size (SF)	Median Income %	Max. Gross HC Rents	Utility Allow- ance	Max Net HC Rents	Underwriter	Annual Rents
1	1	36	700	60%	\$542	\$37	\$505	\$505	\$218,160
2	2	68	926	60%	\$651	\$49	\$602	\$602	\$491,232
3	2	60	1,133	60%	\$752	\$61	\$691	\$691	\$497,520
Totals		164	156,148						\$1,206,912

Sources of Funds

	Lender/			Interest	Amort.	Term	Annual Debt
Source	Enhancer	Application	Underwriter	Rate	Yrs.	Yrs.	Service
HFA-Tax-Exempt Bonds	Guarantee Fund	\$8,080,000	\$8,010,000	6.256%	40.0	41.50	\$546,099
SURTAX	Miami-Dade	\$1,000,000	\$1,000,000	0.000%	0.0	30	\$33,333
Housing Credit Equity	Lend Lease	\$4,850,000	\$4,850,000				
Deferred Developer Fee	Developer	\$1,392,415	\$1,926,588				
GP and LP Contribution	Cornerstone	\$150,000	\$0				
Total		\$15,472,415	\$15,786,588				\$579,433

Ratios

<u>Loan to Value¹</u> <u>Debt Service Coverage¹</u> <u>Total Cost Per Unit</u>

90.0% Restricted Rents
Favorable Financing

Debt Service Coverage¹

1.150; based on a maximum
interest rate of 6.259%

\$96,260

84.3% Market Rents Market Financing

Loan to Cost¹Bond Loan per Unit¹HFA Assistance Per Unit51%\$48,841\$48,841

HC Allocation Per Unit \$3,774

Based on Total MMRB Loan recommended.

Construction Financing Sources

Source	Lender/ Enhancer	Applicant	Underwriter	Const. Int. Rate	Construction Debt Service
HFA-Tax-Exempt Bonds	Guarantee Fund	\$8,080,000	\$8,010,000	5.01%	\$540,000
SURTAX	Miam i-Dade	\$1,000,000	\$1,000,000	0%	\$0
Housing Credit Equity	Lend Lease	\$4,805,000	\$4,123,000		
Deferred Developer Fee	Cornerstone	\$1,437,415	\$2,224,246		
Deferred GC Fee	Alliance	\$0	\$429,342		
Developer Equity	Cornerstone	\$150,000	\$0		
Total		\$15,472,415	\$15,786,588		\$540,000

Notes to the Construction Period Sources of Funds:

- The subject development can support the recommended MMRB Loan of \$8,010,000 at a 1.15 DSC so long as annual Debt Service does not exceed \$546,099. If the "all in" interest rate on the bonds is greater than 6.256%, the MMRB Loan will have to be reduced so that annual Debt Service does not exceed \$546,099. The MMRB financed loan will require payments of interest only during the construction period. calculation is based on a calculation of the actual construction interest (less escrowed fees), based upon the estimated draw schedule, and assumes a 18-month construction/stabilization period, and a rate of 5.01%, including applicable fees. First Housing assumed a rate of 1.250% on invested funds. This amount was determined to be approximately \$540,000 (See Exhibit 3 for the calculation). Note that during construction, the Guarantee Fund credit enhancement fee is 0.65%, which is escrowed at closing (18-month period). In addition, the Applicant will escrow MDHFA's fees for a 12-month period; and servicing fees should begin upon delivery of the first units. Therefore, the interest rate applied to the 8th Month will reflect the addition of servicing fees. and in Month 13 and thereafter, the addition of MDHFA's applicable fees, as reflected in Exhibit 3.
- 2. The Applicant has a commitment from Miami-Dade Housing Agency ("MDHA") for a SURTAX 2003 allocation in the amount of \$1,000,000. This loan has a 30-year term including a 24-month construction period with no principal and interest payments due during the construction period.
- 3. The syndication commitment reflects a partnership interest of 99.99%, and a syndication rate of \$.82. Capital Contributions total approximately \$4,850,000, of which; approximately 50.0% of the syndication equity will be available at closing and another 35.0% during construction; for a total equity disbursement of \$4,123,000, or approximately 85.0% during the construction/stabilization period. The initial funding of 50% satisfies FHFC's requirement that at least 50% of total equity required to complete construction be deposited with the bond trustee at closing.
- 4. During the construction period, the developer must defer all available developer fee and a portion of related party general contractor fees totaling \$2,224,175 and \$428,945 (total profit portion of GC fee is \$493,263), respectively, to balance the Sources & Uses of Funds after receipt of all available MMRB Loan proceeds and HC Equity contributions have been received.

Permanent Financing Sources

	Lender/			Interest	Amort.	Term	Annual Debt
Source	Enhancer	Application	Underwriter	Rate	Yrs.	Yrs.	Service
HFA-Tax-Exempt Bonds	Guarantee Fund	\$8,080,000	\$8,010,000	6.256%	40.0	41.50	\$546,099
SURTAX	Miami-Dade	\$1,000,000	\$1,000,000	0.000%	0.0	30	\$33,333
Housing Credit Equity	Lend Lease	\$4,850,000	\$4,850,000				
Deferred Developer Fee	Developer	\$1,392,415	\$1,926,588				
GP and LP Contribution	Cornerstone	\$150,000	\$0				
Total		\$15,472,415	\$15,786,588				\$579,433

Notes to the Permanent Period Sources of Funds:

1. Based upon an anticipated NOI of \$628,014, the subject development can support the recommended MMRB Loan of \$8,010,000 at a 1.15 DSC so long as annual Debt Service does not exceed \$546,099. If the "all in" interest rate on the bonds is greater than 6.256%, the MMRB Loan will have to be reduced so that annual Debt Service does not exceed \$546,099. If the MMRB Loan is reduced, Applicant will have to fund any shortfall with an increase to Deferred Developer Fees, Deferred General Contractor Fees and/or an injection of Developer Cash (Equity).

The current "all-in" tax-exempt interest rate of 6.498% is 0.243% higher than the 6.256% maximum interest rate at which the subject development can support the recommended MMRB Loan of \$8,010,000. If interest rates at the time of MMRB Loan closing mirror current rates, the MMRB Loan would have to be reduced by \$240,000 (to \$7,770,000) in order to achieve a DSC of at an NOI of \$628,014. Note that based upon a current estimated interest rate of 6.498%, the debt service coverage is equal to 1.116: 1, which is within acceptable MDHFA parameters.

- 2. The Applicant has a commitment from Miami-Dade Housing Agency ("MDHA") for a SURTAX 2003 allocation in the amount of \$1,000,000. This loan shall bear an interest rate of 0% for as long as the development remains in compliance; then 3% thereafter, for a 30-year term; including a 24-month construction period with no principal and interest payments due until Month 25, at which time, principal and interest payments at 0% will be due monthly.
- 3. The syndication commitment reflects a partnership interest of 99.99%, and a syndication rate of \$.82. Capital Contributions total approximately \$4,850,000, of which, 50.0% of the syndication equity will be available at closing, and another 35.0% during construction. At completion, 5.9% is due, 4.1% is available at final cost certification, and an additional 5% will be available at the latest of permanent loan conversion, 1.12x debt service coverage, or upon Receipt of Forms 8609.
- 4. Applicant will have to defer \$1,926,119 (87%) of Developer Fees during the permanent/amortization period.

Uses of Funds

	Applicants Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Actual Construction Cost			
Site Work	\$1,115,200	\$1,115,200	
New Rental Units	\$6,572,582	\$6,572,582	
Accessory Buildings	\$273,271	\$273,271	
Recreational Amenities	\$260,000	\$260,000	
General Contractor Fees	\$1,150,947	\$1,150,947	
Total Construction Contract	\$9,372,000	\$9,372,000	
Special Inspector & P& P Bond	\$90,000	\$90,000	
Hard Cost Contingency	\$0	\$0	
Total Actual Construction Cost	\$9,462,000	\$9,462,000	\$0

Notes to the Actual Construction Costs:

- 1. The G/C fees are within the guideline of 14% of hard costs.
- 2. Note that the Contractor has also budgeted for the cost of the Payment and Performance Bond, as well as for the cost associated with hiring a special inspector. Special inspectors are allowed to perform inspections for the local authorities, if or when the local authorities are unable to inspect the property in a timely manner. Other Costs are \$65,000 for a Payment and Performance Bond and \$25,000 for a Special Inspector.
- 3. Underwriting guidelines require a funded hard costs contingency of 3% to 5%. First Housing recommends a funded hard cost contingency equal to 3% of total hard cost (\$283,860). The Applicant has agreed to provide this hard cost contingency in the form of a Letter of Credit.
- 4. First Housing used the cost outlined in the Construction Cost Contract dated March 5, 2003 between the Applicant and Alliance Construction. This contract reflects a maximum guarantee price of \$9,462,000.

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	Application	Underwriter's	Ineligible
	Total Costs	Total Costs	Costs
General Development Costs			
Accounting Fees	\$25,000	\$25,000	
Appraisal	\$10,000	\$7,200	
Architect's & Planning Fees	\$147,600	\$147,600	
Builder's Risk Insurance	\$82,000	\$82,000	
Building Permits (demolition)	\$100,000	\$100,000	
Engineering Fee	\$57,400	\$57,400	
Environmental Report	\$15,000	\$15,000	\$5,500
FHFC Administrative Fee	\$46,120	\$47,322	\$47,322
FHFC Application Fee	\$1,000	\$1,000	
FHFC HC Compliance Fee (HCs)	\$0	\$0	
Credit Underwriting Fee	\$17,880	\$12,550	
Impact Fees & SURs	\$257,965	\$257,965	
Inspection Fees/Construction Admin.	\$22,000	\$22,000	
Insurance	\$65,600	\$65,600	
Legal Fees	\$80,000	\$60,075	\$30,038
Market Study	\$5,000	\$5,000	
Marketing and Advertising	\$200,000	\$200,000	\$200,000
Pre-Construction Analysis	\$0	\$1,650	
Property Taxes	\$40,000	\$40,000	\$36,000
Replacement Reserve Escrow	\$32,800	\$32,800	\$32,800
Soil Test	\$0	\$0	
Survey	\$15,000	\$15,000	\$2,500
Title Insurance & Recording Fees	\$60,000	\$60,000	\$30,000
Utility Connection Fees	\$360,800	\$360,800	
Soft Cost Contingency	\$75,000	\$50,000	\$25,000
Furniture & Fixtures and W/D	\$135,000	\$135,000	
Total General Development Costs	\$1,851,165	\$1,800,962	\$409,159

Notes to the General Development Costs:

- 1. The Housing Credit fee will be treated as an additional program fee (\$680/year; or approximately 0.006%), and included in the "all in" rate applied to the MMRB loan.
- 2. Soil test fees are including in the Engineering line item. First Housing's budget included a cost for the PCA. Remaining General Development Costs are the applicant's updated estimates, which appear reasonable.
- 3. Replacement Reserves of \$200 per unit per year are normally required, however Applicant elected to prepay Replacement Reserves in the amount of \$32,800 (one-half the required Replacement Reserves for Years 1 and 2). Replacement reserves escrow should not be funded with MMRB Bond funds.

4. Legal Fees were adjusted to be within the "greater of \$40,000 or 75 bp". Excess legal fees are deducted from Developer's fee.

	Application Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Financial Costs			
Credit Enhancement Fees	\$0	\$226,843	\$204,158
Construction Interest Reserve	\$402,000	\$540,000	\$270,000
Bond Costs of Issuance	\$514,000	\$360,450	\$353,241
Hard Cost Contingency LOC Fee		\$4,500	\$0
Other Financing Fees & Interest		\$20,000	\$0
FSA Insurance Premium		\$76,105	\$76,105
Surety Bond Fee	\$0	\$9,557	\$9,557
Total Financial Costs	\$916,000	\$1,237,455	\$913,061

Notes to the Financial Costs:

- 1. Bond Loan Issuance Costs are the Applicant's detailed estimates, which were adjusted to reflect the recommended MMRB loan amount. First Housing will confirm these costs with the bond underwriter prior to closing.
- 2. The underwriter also adjusted the Applicant's Issuance Cost by the cost of the surety bond and reflected it in a separate line item. The cost for the FSA Surety Bond is estimated at 3.5%.
- 3. The MMRB financed loan will require payments of interest only during the construction period. This calculation is based on a calculation of the actual construction interest (less escrowed fees), based upon the estimated draw schedule, and assumes a 18-month construction/stabilization period, and a base rate of 5.01%, including applicable fees. First Housing assumed a rate of 1.250% on invested funds. This amount was determined to be approximately \$540,000 (See Exhibit 3 for the calculation). Note that during construction, the Guarantee Fund credit enhancement fee is 0.65%, which is escrowed at closing (18-month period). In addition, the Applicant will escrow MDHFA's fees for a 12-month period; and servicing fees should begin upon delivery of the first units. Therefore, the interest rate applied to the 8th Month will reflect the addition of servicing fees, and in Month 13 and thereafter, the addition of MDHFA's applicable fees, as reflected in Exhibit 3.

	Total Costs	Total Costs	Ineligible
Non-Land Acquisition Costs			
Building Acquisition Costs	\$0	\$0	
Other	\$0	\$0	
Total Non-Land Acquisition Costs	\$0	\$0	\$0

Notes to Non-Land Acquisition Costs:

1. Since this is a new construction development, there are no non-land acquisition costs.

	Application Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Development Cost Before Developer Fee			
and Land Costs	\$12,229,165	\$12,500,417	\$1,322,221
Other Development Costs			
Net Developer Fee	\$2,201,250	\$2,224,246	\$0
Hard Cost Contingency	\$0	\$0	
Other - Excess Applicant Legal Fees	\$0	\$19,925	\$9,963
Other Development Costs	\$0	\$0	
Total Developer's Fee	\$2,201,250	\$2,244,171	\$9,963

Notes to the Other Development Costs:

1. The recommended Developer's fee is equal to approximately 18% of total Development Cost before Land, Debt Service Reserve, and other non-eligible costs (i.e. Debt service reserves, and reserves for replacement escrows). The developer fee was reduced by the underwriter \$19,925 to reflect excess applicant legal fees by the same amount.

	Application Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Acquisition Costs			
Purchase Price of Land	\$1,025,000	\$1,025,000	\$1,025,000
Other	\$0	\$0	\$0
Land Carrying Costs (R.E. Taxes, etc.)	\$17,000	\$17,000	\$17,000
Total Acquisition Costs	\$1,042,000	\$1,042,000	\$1,042,000

Notes to Acquisition Costs:

Contract for Sale and Purchase of \$1,025,000 (includes extension fees) between JILL SHARON WHITE, as Trustee (Seller), and Cornerstone Group Associates, Inc. The contract was fully executed and assigned to the Applicant, Bonita Pointe Associates, Ltd. on July 1, 2002. The Appraiser placed a value on the land of \$1,050,000, which supports the purchase price.

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	Application	Underwriter's	Ineligible
	Total Costs	Total Costs	Costs
Total Development Costs	\$15,472,415	\$15,786,588	\$2,374,183

Notes to Total Development Cost:

1. The Total Development Cost estimated by First Housing is slightly higher than the Applicant's Total Cost, primarily attributed to differences in capitalized interest calculation, and cost of issuance fees.

OPERATING PROFORMA

DESCRIPTION		Annual	Per Unit
Revenue			
Gross Potential Rental Revenue		\$1,206,912	\$7,359
Other Income			
Washer/Dryer Rentals		\$55,104	\$336
Cable TV		\$18,450	\$113
Miscellaneous Income		\$19,680	\$120
Gross Potential Income		\$1,300,146	\$7,928
Less:			
Vacancy and Collection Loss (5%)		\$65,007	\$396
Total Effective Gross Revenue		\$1,235,139	\$7,531
Expenses			
Fixed:			
Real Estate Taxes		\$133,660	\$815
Insurance		\$69,700	\$425
Variable:			
Management Fee (5%)		\$61,757	\$377
General and Administrative		\$38,444	\$234
Payroll Expenses		\$117,916	\$719
Utilities		\$95,940	\$585
Marketing and Advertising		\$8,200	\$50
Maintenance and Repairs		\$43,460	\$265
Grounds Maintenance and Landscaping		\$21,648	\$132
Reserve for Replacements		\$16,400	\$100
Other		\$0	\$0
Total Expenses	49.2%	\$607,125	\$3,702
Net Operating Income	50.8%	\$628,014	\$3,829
Debt Service Payments			
First Mortgage - Bonds (Tax-Exempt & Taxables)		\$546,099	\$3,330
Second Mortgage - SURTAX Loan		\$33,333	\$203
Other:		\$0	\$0
Total Debt Service Payments		\$579,433	\$3,533
Operating Income After Debt Service - Before Tax		\$48,582	\$296
Cash Flow			

Debt Service Coverage Ratios	
Debt Service Coverage - First Mortgage (Bond Loan)	1.1500
Debt Service Coverage - First and Second Mortgages	1.0838
Debt Service Coverage - All Mortgages and Fees	1.0838

Financial Ratios	
Operating Expense Ratio	49%
Break-even Ratio	91%

Notes to the Operating Proforma and Ratios:

- 1. Gross Potential Rental Revenue is based upon HUD 2003 restricted rents less utility allowance as required by the HC Program, as supported by the Market Study, as well as the Appraisal.
- 2. The vacancy rate of 5% is based on the Appraiser's estimate.
- 3. Other Income is comprised of Washer/Dryer rentals, Cable TV and Miscellaneous income. The Washer/Dryer rentals are at the rate of \$35/unit per month for 80% of the units; Cable TV at the rate of \$12.5/unit per month for 75% of the units; Miscellaneous Income (i.e. vending income, late charges, pet deposits, forfeited security deposits, etc.) is calculated at \$120/unit per year. The appraisal supports these other income estimates.
- 4. Based upon review of the Comparable Expense Analysis (Exhibit A) on the following page; the Appraiser's overall expense estimate of \$3,799 per unit appears reasonable. On a line-by-line basis however, it was found that the appraiser's estimate of administrative and marketing were lower than indicated for the comparables. Conversely, the appraiser's insurance expense was higher than the average and the Applicant's estimate. Therefore, these line items were adjusted to reflect an approximate average between the results of the comparable analysis, and the appraiser's estimate. In conclusion, based on operating data from comparable properties, third party reports (primarily a subject self-contained appraisal and market study), and the credit underwriter's independent due diligence; FHDC represents that, in our professional opinion, estimates for rental income, vacancy and loss allowances, other income, and operating expenses fall within a band of reasonableness. For purposes of this analysis, the income utilized is equal to the Appraiser's estimate and expenses (net of reserves for replacement) are slightly higher than the Appraiser's estimate.
- 5. The Applicant has submitted a Management Agreement which reflects an industrystandard management fee of 5% of actual receipts and contains the appropriate verbiage regarding compliance with tenant income and (if applicable, rent restrictions).
- 6. Replacement Reserves are underwritten in accordance with FHFC guidelines at \$200 per unit per annum. The Proforma, and 15-year cash flow reflects the fact that Replacement Reserves of \$100 per unit per year will be paid from Operations for Years 1 and 2, followed by \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to Florida Affordable Housing Guarantee Fund that evidences an increase in the deposit is excessive or unnecessary. First Housing has inflated this reserve by 4% annually beginning in Year 7 as shown on Exhibit 1 of this report.
- 7. Based upon an anticipated NOI of \$628,014, the subject development can support the recommended MMRB Loan of \$8,010,000 at a 1.15 DSC so long as annual Debt Service does not exceed \$546,099. If the "all in" interest rate on the bonds is greater than 6.256%, the MMRB Loan will have to be reduced so that annual Debt Service does not

exceed \$546,099. If the MMRB Loan is reduced, Applicant will have to fund any shortfall with an increase to Deferred Developer Fees, Deferred General Contractor Fees and/or an injection of Developer Cash (Equity).

8. Refer to Exhibit I, Page 1 for a 15-Year Proforma, which reflects rental income increasing at an annual rate of 3%, and expenses increasing at an annual rate of 4%.

EXHIBIT A - EXPENSE ANALYSIS

Based on 2002 Mid-Year Actuals

		<u> </u>		0 11						
	Crossings at	Spinnaker		Golden						
	University	Cove	/illa Esperansa	Lakes	Vizcaya					
County	Miami/Dade	Miami/Dade	Miami-Dade I	Miami-Dad€	Miami/Dade					
# of Units	320	220	192	280	174					
Year Completed	2000	1996	6/21/1905	1997	1997					
		•		7					First	1
Management	Cornerstone	Cornerstone	Cornerstone	Cornerstone	Swezy	Average	Appraiser	Developer	Housing	
					,					
Expenses per unit	\$3,843	\$3,547	\$3,641	\$3,464	\$3,195	\$3,538	\$3,799	\$3,485	\$3,802	
Property Taxes	\$ 1,097			\$759	\$673	\$835	\$815	\$675	-	Per appraisal, met hodology validat ed
Property Insurance	\$389	\$384	\$441	\$461	\$407	\$416	\$425	\$375	\$425	Per Appraisal
Management Fees	\$366	\$389	\$272	\$375	\$378	\$356	\$375	\$385	\$377	5%of income, underwriting guideline
General & Administr	\$275	\$239	\$193	\$223	\$249	\$236	\$233	\$200	\$234	Difference Between Average and Appraiser
Payroll	\$282	\$699	\$227	\$325	\$491	\$405	\$719	\$700	\$ 7 19	Per Appraisal ⁽¹⁾
Utilities	\$453	\$696	\$414	\$609	\$353	\$505	\$585	\$575	\$585	Per Appraisal
Marketing & Advert	i: \$31	\$23	\$17	\$23	\$0	\$ 19	\$50	\$75	\$50	Per Appraisal
Maintenance & Rep	\$840	\$307	\$961	\$999	\$437	\$709	\$397	\$300	\$397	Per Appraisal ⁽¹⁾
Security	\$0	\$67	\$0	\$0	\$7	\$0	\$0	\$0	\$0	Included in Maint enance Charge
Replacement Reser	r \$108	\$63	\$ 150	\$0	\$200	\$104	\$200	\$200	\$200	\$100 per unit escrowed years 1-2
Total	\$3,843	\$3,547	\$3,641	\$3,774	\$3,195	\$3,585	\$3,799	\$3,485		

NOTES:

⁽¹⁾ It appears that for Cornerstone's Crossings, Golden Lakes, and Villa Esperansa, the payroll expense for maintenace has been included in maintenance and repairs instead of in the payroll expense section; thereby, resulting in a lower than typical payroll, and higher than typical maitenance/repairs estimate.

THE LEADER MORTGAGE COMPANY 2002 SF MRB Program - HFA of Miami-Dade County

Loan Information Report 3/14/2003

Program End Date 12/1/2003

LO	an information Repor	t 3/14/2003	12/1/2003
ORIGINATOR SUMMARY			
	Loans	Total Originated	
		Amount	
Bank Atlantic FSB	4	265,690	
Banking Mortgage Corporation	19	959,921	
Chase Manhattan Mortgage	42	4,359,092	
Citibank FL FSB	13	765,477	
Countrywide Home Loans	5	345,572	
UAMC	4	397,270	
Total	87	\$7,093,022	
LOAN TYPE TOTALS			
	Loans	Total Originated Amount	% of Total
FHA	35	3,760,760	53.02
FNMA 97%	20	1,243,034	17.52
FNMA CHBP	2	137,329	1.94
FNMA CHBP 3/2	1	87,600	1.24
FNMA Conv.	24	1,516,339	21.38
FNMA HFA Home	4	201,960	2.85
VA	1	146,000	2.06
Total	87	\$7.093.022	100.00
NEW/EXISTING TOTALS			
	Loans	Total Originated Amount	% of Total
Existina	83	6,676,109	94.12
New	4	416,913	5.88
Total	87	\$7,093,022	100.00
TARGET/NON-TARGET TOTALS			
	Loans	Total Originated Amount	% of Total
Non-Target	87	7,093,022	100.00
Total	87	\$7,093,022	100.00
HOUSING TYPE TOTALS			
	Loans	Total Originated Amount	% of Total
1 Unit Detached	31	3,001,256	42.31
Condo	51	3,560,112	50.19
Townhouse	5	531,654	7.50
Total	87	\$7,093,022	100.00

THE LEADER MORTGAGE COMPANY 2002 SF MRB Program - HFA of Miami-Dade County

Loan Information Report 3/14/2003

Program End Date 12/1/2003

Loans	Total Originated Amount	% of Total
87	7,093,022	100.00
87	\$7,093,022	100.00
	87	87 7,093,022

INTEREST RATE BREAKDOWN					
	Interest Rate Limit	Loans	Total Originated Amount	% of Total	
3.75000%	\$4,000,000	24	2,171,698	30.62	
5.50000%	\$2,160,000	35	1,867,047	26.32	
5.99000%	\$17,500,000	28	3,054,277	43.06	
Total		87	\$7,093,022	100.00	

PROGRAM PIPELINE	Loans	Total Originated Amount	% of Total	Pool / Trustee Amount
Reservation	15	1,382,210	19.49	
UW Certification	21	1,306,418	18.42	
Exceptions	1	126,004	1.78	
Compliance Purchase Approved	2	179,484	2.53	
Purchased	21	1,536,400	21.66	
Sold to Trustee	27	2,562,506	36.13	<u>2,559,347.46</u>
Total	87	\$7,093,022	100.00	

RACE & ETHNICITY	Loans	Total Originated Amount	% of Total	
Asian	1	118,247	1.67	
Black & Hispanic	4	368,377	5.19	
Black & White	2	120,570	1.70	
Black/African American	20	1,826,355	25.75	
Other Multi-racial	5	291,001	4.10	
White	5	307,703	4.34	
White & Hispanic	50	4,060,769	57.25	
Total	87	\$7,093,022	100.00	

THE LEADER MORTGAGE COMPANY 2002 SF MRB Program - HFA of Miami-Dade County

Loan Information Report 3/14/2003

Program End Date 12/1/2003

SUMMARY			
		Averages:	
Original Allocation	\$21,660,000.00	Loan Amount	\$81,529
Available Allocation	\$14,566,978	Purchase Price	\$106,396
Total Originated Amount	\$7,093,022	Compliance Income	\$28,113
Total Originated Loans	87		
Paraantaga Originated	32.75%	Borrower Age	37.2
Percentage Originated	32.75%	Household Size	2.6
First Time Home Owner	100 %	Employed in Household	1.2

COUNTY TOTALS	Loans	Total Originated Amount	% of Total
MIAMI-DADE	87	7,093,022	100.00
Total	87	\$7,093,022	100.00

BREAKDOWN BY CITY	Loans	Loans Total Originated Amount		% of Total	
HIALEAH	6	508,402	7.17		
HIALEAH GARDENS	1	65,998	0.93		
HOMESTEAD	2	202,575	2.86		
MIAMI	73	5,818,299	82.03		
MIAMI BEACH	3	274,550	3.87		
OPA LOCKA	2	223,198	3.15		
Total	87	\$7,093,022	100.00		

MIAMI-DADE AFFORDABLE HOUSING FOUNDATION, INC.

Home Buyer Club Statistical Report Report ending: 3/4/03

PROGRAM PIPELINE			
	ALL	ACTIVE	
All Members	2,174		
Active Members	956	956	
Graduates	276	240	
Ready to Buy	159	125	
Looking for a Home	34	34	
Purchased	45		

MEMBERSHIP BY CLUB		
CLUB	#	%
ACCION	74	3.4%
CAA/Liberty City	346	15.9%
Central	201	9.2%
County*	747	34.4%
Edison Courts*	17	0.8%
Gwen Cherry*	42	1.9%
Liberty Square*	87	4.0%
Omega	245	11.3%
Opa-Locka	78	3.6%
Scott Homes*	103	4.7%
St. Agnes*	234	10.8%
TOTAL	2,174	100.0%
* The Foundation received compensation for working with these clubs.		

RACE OF MEMBERS (active members only)			
RACE	#	%	
African American	589	69.4%	
Hispanic	211	24.9%	
White (non Hispanic)	14	1.6%	
Other/Unknown	35	4.1%	
TOTAL	849	100.0%	

SEX (active members only)		
SEX	#	%
Female	632	74.5%
Male	209	24.6%
Couples	7	0.8%
Unknown	0	0.0%
Number of children served: 645		

LOAN ORIGINATOR SUMMARY			
BANK	#	AMOUNT	
Bank Atlantic	45		
Bank of America	1		
Bank United	4		
Chase Manhattan	2		
Citibank	22		
Countrywide	1		
HFA	6		
Home Banc	1		
MDAHFI	52		
Northern Trust	0		
Washington Mutual	6		
Other/Unknown	0		
TOTAL	140	\$0.00	

This data is extremely preliminary. Most buyers secure multiple loans/grants for the purchase of their home. Thus, some buyers are counted more than once under the number of loans originated.

This statistical report represents the Foundation's initial effort to capture home buyer club statistics in accordance with USHUD counseling guidelines.



Learn about Special Programs for Down Payment Assistance

> CHARLES R. DREW MIDDLE COMMUNITY SCHOOL

> > inside the Cafeteria

1801 NW 60TH Street Saturday, March 22, 2003 9:30am to 1pm

Who'll be there? Credit Counselors, Banks, Realtors, Developers

Get answers to your questions, no obligation, and no pressure to buy.

For questions call 305-373-9750

Participants include: Casbank, AmTrust, Washington Munual, BankUnited, SurTrust, Jabilee CDC, Baven Bosonnie Development, HOPE, Inc., Consumer Credit Cosmelling Service, Minmi-Dade Bousing Agency, and more!



ELI TOURGEMAN 9064 BAY DRIVE SURFSIDE, FLORIDA 343154

305-866-3663

e-mail: etourgeman817@aol.com

March 4, 2003

Mr. Don Horn, Chairman Miami-Dade County Housing Finance Authority 25 W. Flagler Street Suite 950 Miami, Florida 33130

Dear Mr. Horn:

Please accept my resignation as board member of the Miami-Dade Housing Finance Authority Board. I have accepted employment with the office of Miami-Dade County Commissioner Barbara Carey-Shuler. My new position with Miami-Dade County constitutes a conflict and as such it is with deep regret that I must tender my resignation with this board.

I would like to take this opportunity to thank all the board members, as well as my many friends and colleagues at the Housing Finance Authority for making my experience a rewarding one. In particular, I would like to express my sincere appreciation to Director Patricia Braynon and her staff for their leadership, outstanding work, contribution, and solid dedication to the citizens of Miami-Dade County.

I am proud to have been a member of a board that makes a difference in our community and I truly look forward to working with all of you in my new capacity.

Sincerely,

<u>li Tourgeman</u>

cc: Honorable Commissioner Sally Heyman